

Financial aid

What is need-based financial aid?

Financial aid is money provided to help students pay college costs that exceed the amount the federal government has determined they and their families can pay.

In 1969, the Legislature declared, "It is the policy of the state of Washington that financial need not be a barrier to participation in higher education" (RCW 28B.10.786).

In 1977, the state further affirmed this state policy, saying, "It is the intent of the Legislature that needy students not be deprived of access to higher education due to increases in educational costs or consequent increases in tuition and fees" (RCW 28B.15.065).

Families are expected to bear the primary responsibility of paying for college. When they cannot pay all of the costs, financial aid programs help with the difference between what it costs and what the family can be expected to pay. These programs are generally referred to as "need-based" financial aid programs.

HECB financial aid and grant programs: state general fund appropriations for fiscal year 2005 (dollars in thousands)

<u>Program name</u>	<u>Estimated number of students served</u>	<u>Appropriation</u>
State Need Grant	53,500	\$124,901
State Work Study	8,000	\$17,048
Washington Promise Scholarship	7,500	\$8,390
Educational Opportunity Grant	1,275	\$2,876
Health Professional Loan Repayment and Scholarship Programs	75	\$2,100
Washington Scholars Program	433	\$2,155
Washington Award for Vocational Excellence (WAVE)	283	\$798
WICHE Professional Student Exchange	14	\$186
Washington Center Scholarship	15	\$60

Source: Higher Education Coordinating Board.

Financial aid

How much are families expected to pay toward the price of college?

Generally, families with higher incomes are expected to pay a greater share of college costs.

A standard formula determines the amount a family or student is expected to pay. It was developed by the U.S. Congress and is called “federal methodology.”

$$\begin{array}{r} \text{Student college costs (price of attendance)} \\ (-) \text{ Expected family contribution (EFC)} \\ \hline = \text{Financial need/eligibility} \end{array}$$

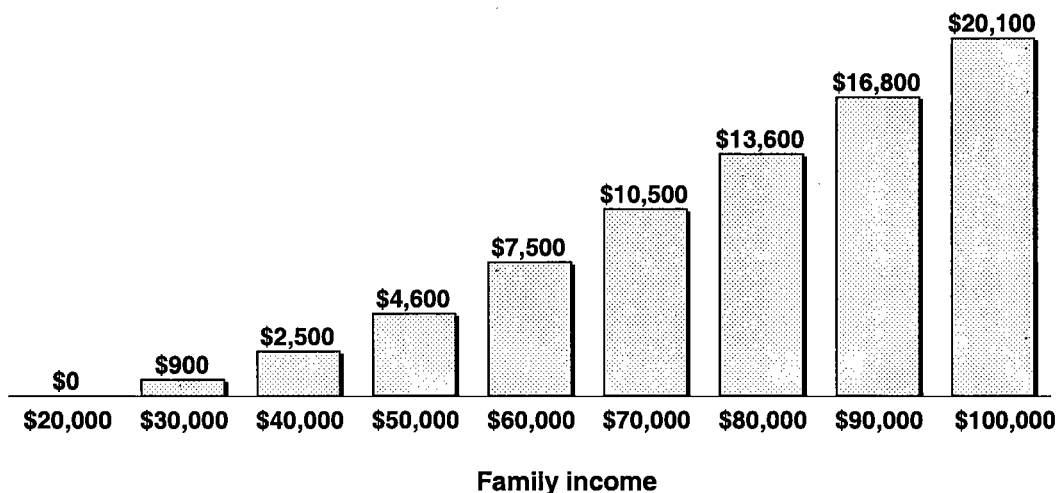
To determine the “expected family contribution,” the student must complete a “Free Application for Federal Student Aid” (FAFSA).

The amount families are expected to contribute is primarily a function of family income, family assets (except home equity/retirement programs), family size, and age of parents, offset by allowances for basic items like living costs.

For example, this chart shows that a family of four with an annual income of \$60,000, with net assets of \$40,000 (not counting home equity or retirement funds) would be expected to pay about \$7,500 toward college costs every year.

State and federal governments have created a variety of financial aid programs, usually administered through colleges and universities, to help meet financial need.

Expected annual family contribution by income level*



*For a family of four with net assets of \$40,000.

Source: Thomson and Peterson's EFC Calculator, 2004.

Financial aid

How much financial aid can a student expect to qualify for?

The amount of financial aid a student qualifies for is a function of two main measures:

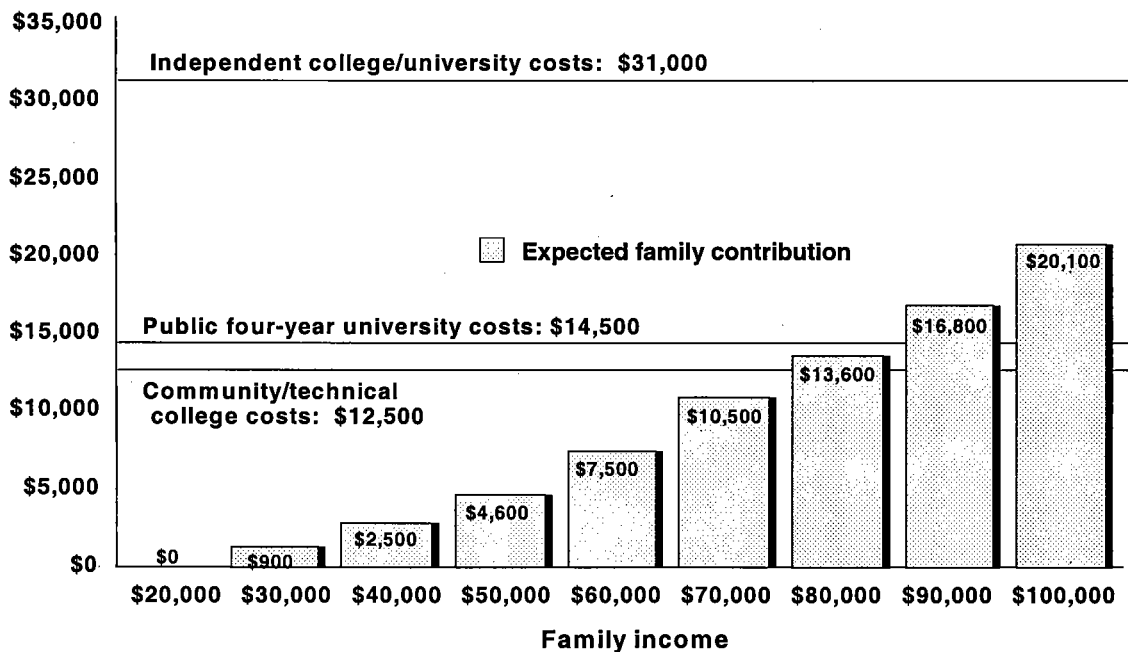
- The cost to attend the institution; and
- The amount the family is expected to contribute.

As the chart below shows, as family income goes up, the expected family contribution generally goes up. Consequently, eligibility for financial aid decreases. The gap between the “price of attendance” and the “expected family contribution” represents the amount of aid the student is eligible to receive.

However, very few students – even the poorest – get enough help through grants and scholarships to pay for all their college costs. A system of combining or “packaging” different types of aid ensures that each student is offered a mix of “gift” assistance (like grants and waivers) and “self-help” (loans and work study).

Financial aid funds are not always available to serve all eligible students. This means that in addition to receiving aid, students may also need to reduce expenses, find employment on their own, or take out personal loans to meet remaining college costs. This chart also explains that at higher-cost colleges and universities, even students from middle- and upper-middle income families may be eligible for some help in meeting college costs.

**Estimated price of attendance
compared to expected family contribution by income level***



*For a family of four with net assets of \$40,000.

Sources: Thomson and Peterson's EFC Calculator, 2004; Washington Financial Aid Association 2004-05 maintenance budgets; and 2004-05 tuition rates.

Financial aid

How many of the students who enroll receive need-based financial aid?

About four of every 10 students enrolled in Washington colleges and universities receive some form of need-based financial aid.

In Washington, about 139,000 students received need-based aid in 2003-2004. These students represent about 40 percent of the reported enrolled students. These 139,000 students include those attending accredited private career schools that received state financial aid.

Each year, the Higher Education Coordinating Board collects data from institutions on each student who receives need-based aid. This collection of data or records is referred to as the "Unit Record Report."

Type of institution	Number receiving aid 2003-2004
Community and technical colleges	58,171 students
Four-year public	47,192 students
Four-year independent	22,951 students
Private career schools	11,092 students

Source: Higher Education Coordinating Board, *Unit Record Report*, 2003-04.

Financial aid

What types and sources of need-based financial aid do Washington students receive?

Types of programs

Grant
Work study
Loan

Sources of funding

Federal
State
Institutional and private

Grants are gifts with an obligation to make academic progress, but they do not need to be repaid.

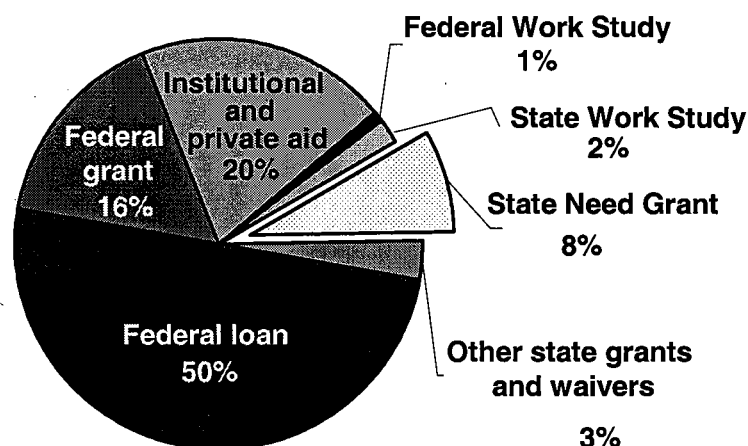
Work Study is a part-time employment opportunity.

Loans are given with the requirement that they be repaid with interest in the future, usually after graduation. There are many individual programs within each of these general categories, each with its own policies, purpose, and targeted population.

Much of direct student financial aid comes from the federal government. Today, most of that federal assistance is in the form of loans. State programs were created to complement and coordinate with the federal effort. Washington State programs focus mainly on the provision of need-based grant and work study programs, such as the state's largest program, the **Washington State Need Grant**, created in 1969, and the **Washington State Work Study** program, created in 1974.

The State Need Grant program represents eight percent of the total need-based financial aid available. The remainder of the available assistance is from institutional and private sources. And, it is estimated that at least another \$200 million in aid (mostly in loans) was delivered to students who did not qualify for state funded need-based aid. Additionally, students and their families may have incurred credit card debt; may have privately borrowed against assets, like home mortgages and retirement funds; and utilized tax credits to finance college costs.

Need-based student financial aid available to students attending Washington institutions in 2003-04
Total - \$1.37 billion



Source: Higher Education Coordinating Board, *Unit Record Report, 2003-04*.

Financial aid programs

Which financial aid programs does Washington provide?

State Need Grant
(RCW 28B.92)

State Work Study
(RCW 28B.12)

Educational Opportunity
Grant (RCW 28B.101)

Washington helps keep college affordable through state appropriations to public colleges and universities and through funds for financial aid to individual students.

State financial aid programs are designed to address several central policies, including equal opportunity and access, access and affordability, and affordability and merit.

Programs designed for equal opportunity and access

State Need Grant

These grants help the state's lowest-income undergraduate students pursue degrees. To be eligible, a student's family income cannot exceed 55 percent of the state's median family income – currently \$36,500 for a family of four.

Maximum grant amounts vary by type of institution (for 2004-05)

Community and technical colleges	\$2,212
Private career colleges.....	\$2,212
Public comprehensive universities	\$3,491
Public research universities	\$4,416
Independent universities.....	\$4,650

Programs designed for access and affordability

State Work Study

Through part-time employment, students from low- and middle-income families earn money for college while gaining experience whenever possible in jobs related to their academic and career goals. State Work Study provides a significant alternative to high levels of student borrowing. The average amount earned in 2003-04 was \$2,480.

Educational Opportunity Grant

This program provides \$2,500 grants to encourage financially needy "placebound" students to complete a bachelor's degree. To be considered placebound, students must be unable to continue their education without the assistance of this grant because of family or work commitments, health concerns, financial need, or other similar factors. Students must be Washington residents and have completed two years of college.

Financial aid programs

Promise Scholarship
(RCW 28B.119)

Washington Scholars
(RCW 28A.600.100-150
and RCW 28B.15.543)

**Washington Award for
Vocational Excellence**
(RCW 28B.15.545 and
RCW 28C.04.520-550)

Program based on affordability and merit

Washington Promise Scholarship

The Washington Promise Scholarship provides college scholarships to students in recognition of their academic achievements in high school. Students are from low- and middle-income families and either graduate in the top 15 percent of their class, or score on their first attempt at least 1,200 on the SAT or 27 on the ACT. Family income cannot exceed 135 percent of the state's median family income – or about \$89,900 for a family of four. The amount of the award depends on the number of eligible students. In 2004-05, students are eligible to receive up to \$1,176.

The Higher Education Coordinating Board administers the program, with assistance from the Office of the Superintendent of Public Instruction. The Promise Scholarship was enacted by the governor and the Legislature as a provision of the 1999-2001 state operating budget and was signed into law during the 2002 legislative session.

Programs based on merit

Washington Scholars

This program honors the accomplishments of three high school students from each of the state's 49 legislative districts. Scholars receive state grants that equal up to four years of public undergraduate resident tuition. High school principals nominate the top one percent of each school's graduating senior class on the basis of academic achievement, leadership, and community service. The maximum award is equal to the value of public-sector tuition and fees. The actual award may be prorated.

Washington Award for Vocational Excellence (WAVE)

Three vocational students from each of the state's 49 legislative districts are recognized for outstanding achievement in vocational-technical education. Recipients receive grants that equal up to two years of undergraduate resident tuition. High schools, skills centers, and community and technical colleges nominate students. The maximum award is equal to the value of public-sector tuition and fees. The actual award may be prorated.

Financial aid programs

Health Professional
Conditional Scholarship
And Loan Repayment
(RCW 28B.115)

WICHE Professional
Student Exchange
(RCW 28B.70)

American Indian
Endowed Scholarship
(RCW 28B.108)

Future Teachers
Conditional Scholarship
(RCW 28B.102)

Community Scholarship
Matching Grant
(WAC 250-69)

Targeted programs

Health Professional Conditional Scholarship and Loan Repayment Program

These programs address the critical shortage of qualified health care professionals statewide. Participating health care professionals agree to provide primary health care service for three to five years in medically underserved areas or in areas with a shortage of health care professionals. In exchange, they receive either a conditional scholarship or help in repaying school loans. Recipients do not have to be state residents to apply. In 2003, about 160 health professionals worked in underserved areas in Washington as a result of these programs.

WICHE Professional Student Exchange

The Western Interstate Commission for Higher Education program pays support fees that approximate the nonresident tuition differential for selected Washington residents going out of state to study in two professional degree programs not offered in Washington – optometry and osteopathy. In 2004-05, awards range from \$11,100 to \$16,300 and may be awarded for up to four years.

American Indian Endowed Scholarship

This program helps students with close ties to the Native American community attend college. State funds, together with private contributions, provide about 15 scholarships each year, ranging from \$500 to \$750.

Future Teachers Conditional Scholarship

This program encourages public K-12 classified employees to become teachers by offering conditional scholarships. The program stipulates that the state will forgive one year of loan for every two years of teaching, or for every one year of teaching in a subject shortage area.

Other programs

Community Scholarship Matching Grant

Community organizations that locally raise at least \$2,000 for college scholarships receive a state-matching grant of \$2,000 to be spent for the same purpose. In 2003-04, 123 grants were awarded.

Financial aid programs

Washington Center
Scholarship
(Legislative Budget
Notes – 2004
Supplemental Budget)

College Assistance
Migrant Program
(2003-05 Operating
Budget)

Other programs (continued)

Washington Center Scholarship

The scholarship's purpose is to offset housing and living expenses of students selected to intern in the nation's capitol. Internships are arranged through the Washington Center for Internships and Academic Seminars. Appropriated funds are sufficient to assist 15 students attending four-year public institutions with \$4,000 semester-long scholarships.

College Assistance Migrant Program

The Supplemental College Assistance Migrant Program provides state grants to Washington colleges and universities participating in the federal College Assistance Migrant Program. The program helps migrant workers and their children attend college. The state program is currently funded at \$25,000 per year.

Financial aid

Which students are served in the major state aid programs?

The profile of students served in each program is unique, based upon established program policies and definitions of student eligibility.

State Need Grant, 2003-2004

- The program served approximately 54,200 undergraduates.
- On average, these students received \$2,110 in State Need Grant funds.
- The median recipient age was 24 years old.
- 62 percent of students were female.
- 34 percent were dependent on their families for support. The average parental income of these families was \$24,227.
- 66 percent of the students were independent, meaning they had their own households and were not financially dependent on their parents. For these students, the average household income was \$12,841.
- 65 percent of all recipients were white; 10 percent were Asian/Pacific Islander; 8 percent were Hispanic; 7 percent were black; and 10 percent were either of other ethnic backgrounds or did not disclose.

State Work Study, 2003-2004

- The program served approximately 9,200 students.
- The average amount earned was \$2,480.
- The median recipient age was 23 years old.
- 65 percent of students were female.
- 88 percent were undergraduates.
- 47 percent were dependent on their families for support. The average parental income of these families was \$40,200.
- 53 percent of the students were independent, meaning they had their own households and were not financially dependent on their parents. For these students, the average household income was \$12,810.
- 68 percent of all recipients were white; 10 percent were Asian/Pacific Islander; 7 percent were Hispanic; 5 percent were black; and 10 percent were either of other ethnic backgrounds or did not disclose.

Financial aid

Students served

Washington Promise Scholarship, 2003-2004

- About 3,900 students applied, met the income and enrollment criteria, and were awarded scholarships.
- New awards for the class of 2003, plus second-year awards for the class of 2002, totaled about 7,000 students.
- By definition, the program serves students in their first two years of higher education.
- The maximum grant amount can be the cost of tuition at a public community college but is subject to appropriation. For FY 2004-05, the prorated annual award amount is \$1,176 per student.
- 65 percent of the needy students served were female.

Sources: Higher Education Coordinating Board, *Unit Record Report, 2003-2004*; and program statistics.

Financial aid

Does Washington offer a prepaid college tuition program?

The Guaranteed Education Tuition (GET) program helps families save for college.

To encourage Washington families to save for college, the state Legislature, in 1997, authorized the establishment of an IRS Section 529 prepaid college tuition plan, known as the Guaranteed Education Tuition (GET) program.

GET, which began operation in August 1998, allows families to purchase tuition units now for use at a later date. These funds are invested and the purchaser is guaranteed a return, which will cover tuition at some future date. Families can purchase between one and 500 units. The state of Washington guarantees that 100 units will cover one year of the state-mandated tuition and fees at the highest-priced public college or university in Washington. Students may use their GET units at any eligible in-state or out-of-state public or private accredited educational institution.

The Committee on Advanced Tuition Payment, commonly referred to as the GET Committee, governs the program. The committee is comprised of the executive director of the Higher Education Coordinating Board, the state treasurer, the director of the Office of Financial Management, and two citizen members. The Higher Education Coordinating Board administers the GET program, while the State Investment Board oversees its investments. To date, Washington families have opened more than 44,000 accounts valued at over \$473 million. More than 2,700 students are currently using GET benefits to attend over 200 colleges and universities nationwide.

The GET Committee annually sets the price of a GET unit, currently \$61. Families can buy units by setting up a customized monthly payment plan or by making lump sum purchases. The enrollment period for 2004-05 is September 15, 2004 through March 31, 2005.

For more information, visit www.get.wa.gov or call 1-877-438-8848.

Financial aid

Guaranteed Education Tuition (GET)

As of August 31, 2004, Washington families have opened more than 44,000 accounts, valued at more than \$473 million. About 9.1 million units have been purchased, with payments totaling \$355 million.

GET accounts continue to grow at a healthy pace
(dollars in millions)

